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215.407-2 Make-or-buy programs.

(e) *Program requirements*—(1) *Items and work included*. The minimum dollar amount is \$1 million.

215.407-3 Forward pricing rate agreements.

(b)(i) Use forward pricing rate agreement (FPRA) rates when such rates are available, unless waived on a case-by-case basis by the head of the contracting activity.

(ii) Advise the ACO of each case waived.

(iii) Contact the ACO for questions on FPRAs or recommended rates.

215.407-4 Should-cost review.

(b) *Program should-cost review*. (2) DoD contracting activities should consider performing a program should-cost review before award of a definitive contract for a major system as defined by DoDI 5000.2. See DoDI 5000.2 regarding industry participation.

(c) *Overhead should-cost review*. (1) Contact the Defense Contract Management Agency (DCMA) (<http://www.dcmc.hq.dla.mil/>) for questions on overhead should-cost analysis.

(2)(A) DCMA or the military department responsible for performing contract administration functions (e.g., Navy SUPSHIP) should consider, based on risk assessment, performing an overhead should-cost review of a contractor business unit (as defined in FAR 2.101) when all of the following conditions exist:

(1) Projected annual sales to DoD exceed \$1 billion;

(2) Projected DoD versus total business exceeds 30 percent;

(3) Level of sole source DoD contracts is high;

(4) Significant volume of proposal activity is anticipated;

(5) Production or development of a major weapon system or program is anticipated; and

(6) Contractor cost control/reduction initiatives appear inadequate.

(B) The head of the contracting activity may request an overhead should-cost review for a business unit that does not meet the criteria in paragraph (c)(2)(A) of this subsection.

(C) Overhead should-cost reviews are labor intensive. These reviews gen-

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erally involve participation by the contracting, contract administration, and contract audit elements. The extent of availability of military department, contract administration, and contract audit resources to support DCMA-led teams should be considered when determining whether a review will be conducted. Overhead should-cost reviews generally shall not be conducted at a contractor business segment more frequently than every 3 years.

[63 FR 55040, Oct. 14, 1998, as amended at 65 FR 52952, Aug. 31, 2000; 65 FR 58607, Sept. 29, 2000; 67 FR 49252, 49255, July 30, 2002]

215.407-5 Estimating systems.

215.407-5-70 Disclosure, maintenance, and review requirements.

(a) Definitions.

(1) *Acceptable estimating system* means an estimating system that—

(i) Is established, maintained, reliable, and consistently applied; and

(ii) Produces verifiable, supportable, and documented cost estimates.

(2) *Contractor* means a business unit as defined in FAR 2.101.

(3) *Estimating system* is as defined in the clause at 252.215-7002, Cost Estimating System Requirements.

(4) *Significant estimating system deficiency* means a shortcoming in the estimating system that is likely to consistently result in proposal estimates for total cost or a major cost element(s) that do not provide an acceptable basis for negotiation of fair and reasonable prices.

(b) *Applicability*. (1) DoD policy is that all contractors have estimating systems that—

(i) Are acceptable;

(ii) Consistently produce well-supported proposals that are acceptable as a basis for negotiation of fair and reasonable prices;

(iii) Are consistent with and integrated with the contractor's related management systems; and

(iv) Are subject to applicable financial control systems.

(2) A large business contractor is subject to estimating system disclosure, maintenance, and review requirements if—